



EXECUTIVE CHAMBERS  
HONOLULU

DAVID Y. IGE  
GOVERNOR

October 11, 2017

The Honorable Ron Johnson, Chairman  
United States Senate  
Committee on Homeland Security and  
Governmental Affairs  
Room 340 Dirksen Senate Office Building  
Washington, D.C. 20510-6250

Dear Chairman Johnson:

I am responding to your letter dated September 27, 2017 in which you inaccurately portray Hawai'i's Medicaid expenditures for the Medicaid expansion. Your assertions are based on a flawed analysis of Medicaid expenditures that incorrectly refers to only a small proportion of the Medicaid expansion population. I urge you to remember that the Medicaid coverage that you have tried to abolish will deeply impact our citizens -- our family members and friends who are integral members of our communities. We must put aside partisan politics and work together to ensure health coverage for all.

Hawai'i has a long history of prioritizing health coverage and quality healthcare for our residents. We took full advantage of the Medicaid expansion under the Affordable Care Act to fulfill our fundamental belief that everyone in Hawai'i deserves healthcare. I am proud that our state has consistently ranked as the healthiest in the nation,<sup>1</sup> and has one of the most effective and efficient healthcare systems in the country (Commonwealth Fund's rankings State Health System Performance 2015<sup>2</sup> and 2017<sup>3</sup> and Local Health System performance 2016<sup>4</sup>). These rankings affirm that Hawai'i has lower healthcare costs, better outcomes and high health care coverage rates compared to other states in the nation. Our senators have clearly articulated the vision that healthcare is a right, not a privilege, as Senator Mazie Hirono recently testified, (Sept. 25, 2017, Senate Finance Committee hearing on Graham-Cassidy bill).

1 Leins, Casey. *The 10 Healthiest States*. US News and World Report, June 14, 2017, <https://www.usnews.com/news/best-states/rankings/health-care/public-health>

2 Aiming Higher: Results from the Commonwealth Fund Scorecard on State Health System Performance 2015 Edition, <http://www.commonwealthfund.org/publications/fund-reports/2015/dec/aiming-higher-2015>.

3 Aiming Higher: Results from the Commonwealth Fund Scorecard on State Health System Performance 2017 Edition, <http://www.commonwealthfund.org/interactives/2017/mar/state-scorecard/>.

4 Rising to the Challenge: The Commonwealth Fund Scorecard on Local Health System Performance, 2016 Edition, <http://www.commonwealthfund.org/interactives/2016/jul/local-scorecard/>.

Over the years, we have implemented cost controls that make our Medicaid program, including the Medicaid expansion population, highly efficient and effective. As part of our commitment to provide our residents with access to healthcare, we expanded Medicaid to low-income adults decades ago, in 1994. This is key in understanding our Medicaid expansion costs, and why the calculations in your letter paint an inaccurate picture of our Medicaid expansion expenditures and growth. Indeed, as we will detail below, there was a seven percent reduction in per person costs between 2014 to 2015 when using the complete numbers.

To get a complete and accurate picture of Hawai'i's Medicaid costs, the new and prior to ACA Medicaid populations must be combined. Your September 27 letter contained numbers and percentages that erroneously focused on the new Medicaid expansion population (New) only. This is a critical miscalculation because a large proportion of the prior ACA Medicaid expansion population (Prior) receives the same federal matching rate as the New expansion population -- 100 percent that decreases to 90 percent by 2020. Only a fixed number of the Prior population receives the lower, enhanced rate for Prior expansion populations -- a formula-based enhanced rate that increases to 90 percent by 2020. The methodology for this federal matching rate for our Prior expansion population is outlined in our State Plan (Attachments 1, 2, and 3). Again, the analyses must focus on both our New and our Prior populations.

The expenditures for the New and Prior expansion populations are reported to CMS on the CMS 64, the financial data source referenced in the letter. On the CMS 64, the Prior expansion population counts are accounted for separately from the New. However, the Prior population's federal share expenditures that are at the same federal matching rate as the New population, are accounted for in the same place as the New population's federal expenditures. Thus, the New expansion population's expenditures include both the New population and a large portion of the Prior expansion population's costs. This is one of the major reasons why it is necessary to look at both the Prior and the New populations together to accurately compare any changes in costs over time.

Another factor that must be corrected is the enrollment numbers. The numbers you referenced were taken from a single month (December 2014 and 2015 respectively). The more accurate figure is member months. Member months capture the entire population over a time period, and takes into consideration month-to-month variations. Finally, the CMS 64 data itself must be reviewed with the knowledge that it reflects only expenditures for dates paid, and not the dates of service. When there are large variations in population over time, as there were during this time period, the expenditures for "date paid" lag behind the population counts. Thus, all the per person expenditures will be distorted.

For these reasons, we are providing information from the CMS 64 report, specifically from Schedule C, Hawai'i's budget neutrality reports. These more accurately represent the Medicaid expansion counts and expenditures. Table 1 shows that contrary to your assertions, Hawai'i's cost per person has actually dropped seven percent between CY

14 and CY 15, from \$5,379 to \$5,000 (See Table 1). While CY 16 saw a slight increase from the prior year, the increase was marginal, and the per capita amount was still well below the CY14 annual cost per person. In examining the federal expenditures over that same period, the trends are similar (See Table 1. See Table 3 for more details).

<b>Table 1</b>	<b>CY 2014</b>	<b>CY 2015</b>	<b>Year to Year % Change</b>	<b>CY 2016</b>	<b>Year to Year % Change</b>	<b>Cumulative Change</b>
Total Medicaid Per Capita annual cost	5,379	5,000	-7.1%	5,176	3.5%	-3.8%
Total Medicaid Federal Per Capita annual cost	4,927	4,733	-3.9%	5,007	5.8%	1.6%

Furthermore, even when using the same flawed data cited in your September 27 letter, a perspective that further confirms our reasonable cost trends is the overall Medicaid expenditures for Hawai'i compared to the national Medicaid expenditures (see Table 2). It is clear that Hawai'i continues to be highly efficient in providing good stewardship for our residents as compared to the national trends. All of our trends are at or below the national average. For example, our overall federal cost per capita grew by only 3 percent whereas nationally, the cost grew by 4 percent.

<b>Table 2</b>	<b>2014</b>	<b>2015</b>	<b>Percent Change</b>
Total Hawaii Medicaid Costs	2,008,204,413	2,067,103,594	3%
Total Hawaii Federal Costs	1,205,263,535	1,343,863,157	11%
Total Hawaii Enrollment	282,739	304,600	8%
Total Hawaii Costs Per Capita	7,103	6,786	-4%
Total Hawaii Federal Costs Per Capita	4,263	4,412	3%
	<b>2014</b>	<b>2015</b>	<b>Percent Change</b>
Total U.S. Medicaid Costs	489,948,300,159	533,824,973,027	9%
Total U.S. Federal Costs	301,331,686,622	336,219,550,214	12%
Total Enrollment	70,958,618	75,889,781	7%
Total Costs Per Capita	6,905	7,034	2%
Federal Costs Per Capita	4,247	4,430	4%

Note: Source data from same sources as Sen. Johnson 9/27//2017 letter. CMS 64 and MBES:  
<https://www.medicare.gov/medicaid/financing-and-reimbursement/state-expenditure-reporting/expenditure-reports/index.html>  
<https://www.medicare.gov/medicaid/program-information/medicaid-and-chip-enrollment-data/enrollment-mbes/index.html>

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In addition to explaining our health care cost trends, you also requested information about our eligibility coverage limits, our eligibility verification plan and our rate development reports. These are included in the attachments.

In conclusion, Hawai'i is and continues to be a leader in health and health coverage for our residents and the nation. Ensuring people have health coverage is vital to sustaining our health outcomes. Contrary to your data, we have demonstrated that our Medicaid cost trends are well within reasonable trends, and our overall per capita costs are at or below the national average. We certainly agree that it is important to discuss the increasing costs of health care expenditures; however, Hawai'i's Medicaid cost trends overall are in alignment with or lower than our nation's overall health care cost trends. In other words, Medicaid is not the problem, rather an overall health care delivery system needs to be reformed. Hawai'i is actively engaged in a number of health care delivery system reforms in which our Medicaid program is also an active partner. We will strive to continue to be a leader for our country in health and healthcare system innovations.

If you have questions, please contact Judy Mohr Peterson at 808-692-8050.

With warmest regards,



David Y. Ige  
Governor, State of Hawai'i

c: Honorable Claire McCaskill  
Ranking Member, Homeland Security and Governmental Affairs  
Honorable Mazie Hirono  
Honorable Brian Schatz  
Honorable Colleen Hanabusa  
Honorable Tulsi Gabbard  
Judy Mohr Peterson, Hawai'i Medicaid Director

Attachments: Eligibility State Plan Amendments 1 & 2, CMCS letter about SPA, Eligibility Verification Plan; Actuarial rate reports

**Table 3: GROUP VIII Medicaid Expansion Expenditure Summary**

	CY 2014	CY 2015	Year to Year % Change	CY 2016	Year to Year % Change	Cumulative Change
<b>TOTAL EXPENDITURES</b>						
Total Newly Eligible Expenditures	217,047,898	162,528,749	-25.1%	118,683,240	-27.0%	-45.3%
Newly Eligible Member monthly average	40,829	34,303	-16.0%	24,109	-29.7%	-41.0%
<b>Newly Eligible Per Capita Annual Cost</b>	<b>5,316</b>	<b>4,738</b>	<b>-10.9%</b>	<b>4,922.83</b>	<b>3.9%</b>	<b>-7.4%</b>
Total Prior Expansion Expenditures	191,923,195	338,362,686	76.3%	481,998,237	42.5%	151.1%
Prior Expansion Member monthly average	35,203	65,885	87.2%	91,951	39.6%	161.2%
<b>Prior Expansion Per Capita Annual Cost</b>	<b>5,452</b>	<b>5,136</b>	<b>-5.8%</b>	<b>5,241.90</b>	<b>2.1%</b>	<b>-3.9%</b>
<b>Total Medicaid Expansion Expenditures</b>	<b>408,971,093</b>	<b>500,891,435</b>	<b>22.5%</b>	<b>600,681,477</b>	<b>19.9%</b>	<b>46.9%</b>
<b>Total Medicaid member monthly avg.</b>	<b>76,032</b>	<b>100,188</b>	<b>31.8%</b>	<b>116,060</b>	<b>15.8%</b>	<b>52.6%</b>
<b>Total Medicaid Per Capita annual cost</b>	<b>5,379</b>	<b>5,000</b>	<b>-7.1%</b>	<b>5,176</b>	<b>3.5%</b>	<b>-3.8%</b>
<b>FEDERAL EXPENDITURES</b>						
Newly Eligible Federal Expenditures	217,047,898	162,528,749	-25.1%	118,683,240	-27.0%	-45.3%
Newly Eligible Member monthly average	40,829	34,303	-16.0%	24,109	-29.7%	-41.0%
<b>Newly Eligible Per Capita Cost</b>	<b>5,316</b>	<b>4,738</b>	<b>-10.9%</b>	<b>4,923</b>	<b>3.9%</b>	<b>-7.4%</b>
Federal Expansion Expenditures	157,573,612	311,657,523	97.8%	462,447,397	48.4%	193.5%
Prior Expansion Member monthly average	35,203	65,885	87.2%	91,951	39.6%	161.2%
<b>Prior Expansion Federal Per Capita Cost</b>	<b>4,476</b>	<b>4,730</b>	<b>5.7%</b>	<b>5,029</b>	<b>6.3%</b>	<b>12.4%</b>
<b>Total Federal Medicaid Expansion Expenditures</b>	<b>374,621,510.00</b>	<b>474,186,272.00</b>	<b>26.6%</b>	<b>581,130,637</b>	<b>22.6%</b>	<b>55.1%</b>
<b>Total Medicaid member monthly avg.</b>	<b>76,031.58</b>	<b>100,188.00</b>	<b>31.8%</b>	<b>116,060</b>	<b>15.8%</b>	<b>52.6%</b>
<b>Total Medicaid Federal Per Capita annual cost</b>	<b>4,927</b>	<b>4,733</b>	<b>-3.9%</b>	<b>5,007</b>	<b>5.8%</b>	<b>1.6%</b>

Notes:

1. Expenditure information taken from CMS 64 Waiver Expenditure Report Schedule C for the quarter ending 6/30/2017. This report is submitted with the Budget Neutrality Report and shows waiver expenditures by waiver decision year.
2. Member Months Information taken from the CMS 64 report Narrative.